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## Viewing cable 09SOFIA673, BULGARIA: ENERGY UPDATE

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### Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

### Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#09SOFIA673**.

Reference ID	Created	Released	Classification	Origin
<a href="#">09SOFIA673</a>	<a href="#">2009-11-25 14:30</a>	<a href="#">2011-08-30 01:44</a>	<a href="#">CONFIDENTIAL</a>	<a href="#">Embassy Sofia</a>

Appears in these articles:

<http://www.bivol.bg/wlbelene.html>

[http://www.capital.bg/politika\\_i\\_ikonomika/bulgaria/2011/04/29/1082317\\_mrusna\\_energiia/](http://www.capital.bg/politika_i_ikonomika/bulgaria/2011/04/29/1082317_mrusna_energiia/)

<http://wlcenral.org/node/1722>

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DE RUEHSF #0673/01 3291430

ZNY CCCCC ZZH

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FM AMEMBASSY SOFIA

TO RUEHC/SECSTATE WASHDC IMMEDIATE 6499

INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

RUEAIIA/CIA WASHINGTON DC PRIORITY

RUCPDOG/DEPT OF COMMERCE WASHINGTON DC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHINGTON DC PRIORITY

RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 SOFIA 000673

SIPDIS

FOR SPE MORNINGSTAR

E.O. 12958: DECL: 11/17/2019

TAGS: [ENRG](#) [PREL](#) [PGOV](#) [BU](#)

SUBJECT: BULGARIA: ENERGY UPDATE

REF: SOFIA 538

Classified By: CDA Susan Sutton for reasons 1.4 (b) and (d).

¶1. (C) Summary: Since taking power in July, PM Borissov has shaken up the energy sector by calling into question the Russian-backed energy projects pursued by the previous government and emphasizing the need for greater transparency and diversification. While Bulgaria may continue going through the motions on South Stream, it is making Nabucco, interconnectors, and closer cooperation with southern corridor gas producers the focus of its gas strategy. It has frozen the Russian-backed Belene Nuclear Power plant, at least for now, and is investigating U.S. nuclear fuel and spent fuel storage diversification options. The obstacles are many. Eager not to lose their privileged place in the Bulgarian energy sector (and economy), Russian and Bulgarian energy lobbies are resisting. In certain key areas, they still have the upper hand. We are urging the government to act boldly on individual diversification and transparency projects, which, added together, will represent real change. End Summary.

#### THE FUTURE OF RUSSIAN-BACKED ENERGY PROJECTS

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¶2. (C) In August Prime Minister Boyko Borissov's government announced a full-scale review of all Russian-sponsored energy projects (the Belene Nuclear Power Plant, the South Stream gas pipeline and the Burgas-Alexandroupols oil pipeline) to which the previous government had committed. Borissov had promised Russian PM Putin an answer on these projects by November. Our contacts tell us an announcement on the fate of these projects is likely in early December. This is what is likely:

¶3. (C) Belene: The previous government had awarded Russia's AtomstroyExport the contract to construct two AES-92 VVER 1000 reactors at Belene at an original cost of four billion euros in 2006. In 2008 Bulgaria brought in the German company RWE as a 49 percent strategic investor. Since then, the project, at times referred to here as "the money machine," has been dogged by cost over-runs, financing woes, construction delays and rumors of serious safety and quality assurance concerns. Cost estimates skyrocketed to over 10 billion euros around the same time the Borissov government took office. Borissov and his energy team immediately began questioning the terms, conditions and rationale of the project, and stated Bulgaria would, at a minimum, reduce its share of the project to 20 percent (down from 51 percent.) Strategic investor RWE then got cold feet and withdrew from the project altogether. The Belene project, still consisting of little more than an empty field, is now frozen, with the only offer of investment coming from Russia, an option the Borissov government calls unacceptable.

¶4. (C) South Steam: The Borissov government originally had harsh words for South Stream, but after a September Borissov-Putin telephone conversation and meeting, additional outreach by Russian Energy Minister Schmatko and Italian PM Berlusconi, and a steady stream of Russian warnings that South Stream would bypass Bulgaria if Sofia continued its feet-dragging, the Bulgarians backed down. Our contacts tell us that with so many European countries signed on, South Stream is no longer a Russian project, but a European one. They have doubts it will be built, but if it goes forward, Bulgaria doesn't want to be left out. As the EU country most affected by the Russia-Ukraine gas dispute in January, Bulgaria is also eager to diversify not only its sources of gas, but its supply routes as well. The Bulgarian Energy Holding tells us that Gazprom continues to exert pressure on Bulgaria to rush decision-making on South Stream in order to bring Bulgaria to an ultimate investment decision, but Bulgaria's U.S.-based legal advisers Paul Hastings are fully engaged in trying to protect Bulgaria's interests in the project.

¶5. (C) Burgas-Alexandroupolis: The Borissov Government is still undecided on the BAP oil pipeline, a joint Russian,

Greek and Bulgarian initiative. The new government most often cites environmental concerns as the reason it is dragging its feet on this Bosphorus bypass, but we've heard that even if these concerns can be satisfactorily overcome, there is little appetite within the current administration for this project. If Russian pressure on BAP becomes intense

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(which it has not been so far), the Bulgarians still could decide to move forward, but would likely seek a reduction in the government's 24.5 percent share.

#### A FOCUS ON DIVERSIFICATION

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¶16. (C) After January's gas crisis exposed Bulgaria's extreme dependence on Russian energy supplies, even the previous, Russia-friendly government, began to focus on diversification. With its desire to rid Bulgaria of the cozy relationship the last government had with Russia, the Borissov administration has increased these diversification efforts. Nabucco is central to Bulgaria's diversification strategy. During a recent visit of the Nabucco CEO to Sofia, the Bulgarian Government pledged a 300 million euro investment into the project. There is still a significant amount of skepticism about Nabucco's prospects within the halls of the Bulgarian Energy Holding, but publicly the Government is fully on-board.

¶17. (C) Interconnectors: In July the Bulgarian Energy Holding signed an agreement with the Greek and Italian companies DEPA and Edison for the construction of a Greek-Bulgarian interconnection that would allow Bulgaria to import one bcm of gas through ITGI (the Turkey-Greece-Italy Interconnector.) The 160 km, 120 million euro pipeline, called Interconnector Greece-Bulgaria (IGB), would extend from Komotini in northern Greece to Stara Zagora, Bulgaria. Bulgaria has applied for 45 million euros in EU funds to support this project, but we heard of some hesitation in Brussels to approve these funds. A feasibility study for this project is in the final stages. Less progress has been made on potential interconnectors to Romania, Serbia and Turkey, but these key for Bulgaria's (and Europe's) energy security and are under consideration.

¶18. (C) Azeri Outreach/CNG: During a November visit of Azeri President Aliiev to Sofia, Azerbaijan and Bulgaria signed an agreement on the export of one bcm of Azeri gas to Bulgaria (which Bulgaria would take through its ITGI interconnector, and, later, through Nabucco.) The Azeris and Bulgarians also agreed to study the possibility of sending additional amounts of compressed natural gas to Bulgaria (and beyond) via Georgia and the Black Sea. If the initial 60 day study of this option is promising, the two sides agreed to set up a joint venture company to perform a full-scale feasibility study.

#### NUCLEAR: REAL ALTERNATIVES

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¶19. (C) While the January gas crisis focused attention on the need for gas source diversification, Bulgaria is just as vulnerable on the nuclear side. One hundred percent of the fuel used at the Kozloduy Nuclear Power Plant (which generates 40 percent of Bulgaria's electricity) comes from Russia. Bulgaria is also dependent on Russia to take spent nuclear fuel from these reactors, which Moscow does at considerable annual cost. These are areas where U.S. technology offers real diversification alternatives to Bulgaria. Bulgaria has a unique opportunity to benefit from a successfully demonstrated USG nuclear fuel supply diversification program (using Westinghouse technology) originally designed for a Ukrainian reactor identical to Kozloduy blocks 5 and 6. This program, combined with deployment of a U.S. (New Jersey-based Holtec International)

on-site transportable spent nuclear fuel storage system, could not only save Bulgaria hundreds of millions of dollars and launch a state-of-the-art technology transfer program, but also play an important role in increasing Bulgaria's energy security.

COMMENT: TRANSPARENCY IS ELUSIVE

10. (C) Even with the Borissov Government's tremendous political will, bringing transparency to Bulgaria's notoriously-shady energy sector is a challenge. As the new government restructures the Bulgarian Energy Holding and decides which projects to pursue, powerful domestic energy lobbies are fighting behind the scenes to keep their representatives in positions of influence. As several officials have lamented to us, Bulgaria's energy bench is shallow, making it nearly impossible to find new energy sector professionals who are not beholden to one or another

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lobby. Complicating the situation, Bulgaria's long-term gas supply contracts with Gazprom run out in 2010 and 2012. The government would like to improve transparency by eliminating the shady, Gazprom-linked intermediaries that dominate the gas sector in its next supply contract, but Gazprom and domestic lobbies are opposed. In addition, we understand Russian leaders, at the highest levels, have linked a favorable gas deal with Bulgaria's continued participation in the big, Russian-backed energy projects. We are urging bold, individual moves -- nuclear diversification, interconnector projects, a gas sector transparency initiative -- which, added together, will represent greater diversification, transparency and energy security for Bulgaria.

SUTTON